

**MINUTES OF THE
NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE
February 4, 2004
Room 305, State Capitol**

MEMBERS PRESENT: Sen. Thomas Hatch, Co-Chair
Rep. David Ure, Co-Chair
Rep. Craig W. Buttars
Rep. Carl W. Duckworth
Rep. Ben C. Ferry
Rep. James R. Gowans
Rep. Michael Noel
Rep. Darin G. Peterson
Rep. Michael R. Styler
Rep. R. Curt Webb

MEMBERS ABSENT: Sen. Ron Allen
Sen. Parley Hellewell

STAFF: Steven Allred, Fiscal Analyst
Cindy Hopkin, Committee Secretary

SPEAKERS: Larry Anderson, Director, Division of Water Resources
Terri Jackson, Budget Officer, Division of Water Resources
Lowell Braxton, Director, Division of Oil, Gas and Mining
Carl Roberts, Finance Manager, Division of Oil, Gas and Mining

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Sen. Hatch called the meeting to order at 2:10 p.m.

MOTION: Rep. Gowans moved to approve the minutes of February 2, 2004. The motion passed unanimously with Sen. Allen, Sen. Hellewell, Rep. Buttars and Rep. Duckworth absent for the vote.

Larry Anderson, Director, Division of Water Resources, gave a presentation of the division's programs and accomplishments. He was assisted by Terri Jackson, Division Budget Officer.

The Division of Water Resources has funded 1,218 projects since 1947, with a total of 26 projects costing \$19,674,616 funded in FY 2003.

The Legislature has appropriated over \$32M for dam safety construction grants to the board's Revolving Construction Fund. The Board has adopted guidelines for making grants to dam owners whose dams require upgrades as a result of the 1990 Dam Safety Act. Mr. Anderson provided the committee with lists of the dams classified as "high hazard" by the State Engineer, dams that have been upgraded and now meet state requirements, and dams that are currently being upgraded, or are scheduled for upgrading within the next two years. He also provided

maps and graphs showing: Snow pack, statewide average precipitation, forecasts for eight of Utah's rivers, statewide reservoir storage, and hydrographs of Bear Lake and Great Salt Lake.

Mr. Allred presented the committee with an overview of the FY 2005 Division of Water Resources budget (Tabs 13 and 14). He recommended a total operating budget of \$4,488,800 with \$2,401,900 from the General Fund.

The Water Resources Planning program maintains the State Water Plan (completed in 1990) and eleven detailed basin plans covering the state. In the 2003 General Session the Legislature cut \$40,100 in ongoing General Funds from this program as part of the requirement to reduce budgets by an additional two percent. Mr. Allred recommended a budget for \$1,699,800 entirely from the General Fund for this program.

Mr. Allred recommended a budget of \$150,000 for the cloud seeding program. Statistical analysis of this program since 1976 has shown an average increase in precipitation of eight to twenty percent. He also recommended a total budget of \$121,400 for the City Loans Administration Program and \$1,611,500 for the Construction Program. He does not recommend an appropriation for the Bear River/ Wasatch Front program as the prior year nonlapsing funds were all expended in FY 2003.

The West Desert Operation program funds the maintenance on the West Desert pumping plant. The pumps are part of a \$60M Great Salt Lake flood control project begun in 1986. Mr. Allred recommended a budget of \$10,500 for this program.

Mr. Allred recommended maintaining the intent language from H.B. 1, 2003 General Session regarding the Cooperative Water Conservation program.

Mr. Allred presented the Water Resources Capital budget to the sub-committee. He showed that total assets for the three water loan funds total \$220 million, of which \$192 million, or 87 percent, is in long-term loans receivable.

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Lowell Braxton, Director, Division of Oil, Gas and Mining presented his division's highlights and budget requests. He was assisted by Carl Roberts, the division's finance manager.

Mr. Braxton reported that in 2003 oil production went down 5.6 percent and gas production went down 2.7 percent. Oil drilling permits approved and drilling commenced were both up in 2003 from the 2002 total. Mineral mining in 2003 contributed approximately 1.43B to Utah's economy. Utah's coal mines continue to be among the most efficient underground mines in the United States. Reclamation of Utah coal mines is progressing well. Coal mining and water protection are two of the division's highest priority issues. Mr Braxton stated that coal produces 95 percent of Utah's electricity and reminded the committee of the abandoned mines budget cuts

from General Funds which will increase exposure of the public to unmitigated abandoned mine hazards.

Rep. Noel recognized the mining industry for its contributions to Utah's economy.

Mr. Allred presented the budget for the Division of Oil, Gas and Mining which regulates exploration for and development of Utah's oil, gas, coal and other mineral resources. Utah has primacy from the U.S. Department of the Interior for regulation of coal mining operations, reclamation of abandoned mine sites, and control of underground injection sites. He recommended a total budget of \$7,185,800, with \$1,250,400 from the General Fund.

The division is partially funded from the General Fund Restricted - Oil and Gas Conservation Account. Revenue to the account comes from a fee of .002 of the value at the well of oil and gas. The account is capped at \$750,000 at the end of a fiscal year, with any excess going to the state's General Fund. In FY 2003 the fund returned \$291,700 to the state's General Fund and another \$97,000 unused from its appropriation. Mr. Allred recognized the division's efforts for coming in under budget.

The Legislature transferred \$30,000 in ongoing General Funds from the Abandoned Mines line item to the Water Rights line item. This transfer was part of a \$120,000 transfer from three line items (OGM, DWR, UGS) to Water Rights to cover operating expenses.

Mr. Allred recommended keeping intent language from H.B. 1, 2003 which will allow the agency to keep excess fee revenue in case a major operator sets up business in Utah.

MOTION: Rep. Gowans moved to adjourn the meeting. The motion failed with Sen. Hatch voting no and with Sen. Allen and Sen. Hellewell absent for the vote. The meeting ended with no further business to conduct.